

**MANOR CARE WILMINGTON  
AUDIT REPORT  
MEDICAID COST REPORT AND  
NURSING WAGE SURVEY  
JUNE 30, 2005**

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## Independent Auditors' Report

State of Delaware  
Office of Auditor of Accounts  
Dover, Delaware

We have audited the Statement of Reimbursement Cost for Skilled and Intermediate Care Nursing Facilities – Title XIX, pages 2 through 6 (the Cost Report) and Nursing Wage Survey (the Survey) of Manor Care Wilmington (the Facility) for the year ended June 30, 2005. The Cost Report and Survey are the responsibility of the Facility's management. Our responsibility is to express an opinion on the Cost Report and Survey based on our audit, which are not affixed hereto.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Cost Report and Survey are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Cost Report and Survey. An audit also includes assessing the accounting principles and Medicaid principles of cost reimbursement used and significant estimates made by management, as well as evaluation of the overall presentation of the Cost Report and Survey. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, except for the accompanying Schedule of Adjustments, the Cost Report and Survey of Manor Care Wilmington referred to above presents fairly, in all material respects, the reimbursement costs of the Facility for the year ended June 30, 2005 in conformity with accounting principles generally accepted in the United States of America and Medicaid principles of cost reimbursement.

## Independent Auditors' Report (Cont'd.)

In accordance with *Government Auditing Standards*, we also issued our report dated February 7, 2008 on our consideration of the Facility's internal control over reporting for the Cost Report and Survey and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*McBride, Shopa & Co*

Wilmington, Delaware  
February 7, 2008

**MANOR CARE WILMINGTON**  
**SCHEDULE OF ADJUSTMENTS TO THE STATEMENT OF REIMBURSEMENT**  
**COST FOR SKILLED AND INTERMEDIATE CARE NURSING FACILITIES - TITLE XIX**  
**AND THE NURSING WAGE SURVEY**  
**YEAR ENDED JUNE 30, 2005**

Description	Page	Line	As Filed Amounts	Audit Adjustments		Adjusted Amounts	Adjusted Cost Per Day	Note Ref.
				No.	Amount			
PART I - COST REPORT TRIAL BALANCE AND ADJUSTMENTS								
Primary Patient Care Costs (lines 1-5)								
Nursing Staff Salaries - Staff Nurse	2	1b	\$ 3,409,484	1	269,193	\$ 3,678,677		S-1
Nursing Staff Benefits	2	2	999,011	2	(270,529)	723,973		S-1
				3	820			S-2
				4	(5,329)			S-3
Other Primary Patient Care Costs	2	4	159,415	5	(144,489)	14,926		OC-1
Unadjusted lines	2	1a, 3	(2,007)		-	(2,007)		
Subtotal - Primary Patient Care	2	5	4,565,903		(150,334)	4,415,569	\$ 91.92	
Secondary Patient Care Costs (lines 6-14)								
Clinical Consultants	2	6	75,651	1	(23,328)	52,323		UE-1
Social Services	2	7	37,937	2	2,988	40,925		S-1
Employee Benefits	2	8	20,837	3	(5,645)	8,073		S-1
				4	(7,119)			S-3
Medical Supplies	2	10	258,634	5	2,613	261,247		S-1
Unadjusted lines	2	9, 11, 12	251,588		-	251,588		
Subtotal - Secondary Patient Care	2	14	644,647		(30,491)	614,156	12.78	
Support Service Costs (lines 15-22)								
Operation and Maintenance of Facility	2	16	315,514	1	3,320	318,834		S-1
Patient Recreation	2	19	109,605	2	7,912	117,517		S-1
Employee Benefits	2	20	41,788	3	(11,289)	37,409		S-1
				4	6,910			S-3
Unadjusted lines	2	15, 17, 18	759,902		-	759,902		
Subtotal - Support Service	2	22	1,226,809		6,853	1,233,662	25.68	

**MANOR CARE WILMINGTON**  
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**AND THE NURSING WAGE SURVEY**  
**YEAR ENDED JUNE 30, 2005**

Description	Page	Line	As Filed Amounts	Audit Adjustments		Adjusted Amounts	Adjusted Cost Per Day	Note Ref.
				No.	Amount			
Administrative & Routine Costs (lines 23-32)								
Owner/Exec. Director Salary	2	23	66,059	1	5,203	71,262		S-1
Medical & Nursing Director Salary	2	24	185,147	2	16,365	201,512		S-1 S-2
Other Administrative Salaries	2	25	486,914	3	21,232	487,690		S-1
				4	(20,456)			S-2
Employee Benefits	2	26	140,793	5	(42,858)	123,340		S-1
				6	19,636			S-2
				7	5,769			S-3
Medical Records	2	27	28,833	8	1,597	30,430		S-1
Other Administrative & Routine Costs	3	31	197,666	9	5,931	257,402		UE-1
				10	53,805			CC-1
Unadjusted lines	3	28, 29, 30	447,865		-	447,865		
Subtotal - Administrative & Routine	3	32	1,553,277		66,224	1,619,501	33.71	
Capital Costs (lines 33-39)								
Other Capital Costs		38	65,233	1	(53,805)	83,285		CC-1
				2	71,857			OC-1
Unadjusted lines	3	33, 34, 35, 36, 37	522,768		-	522,768		
Subtotal - Capital Costs	3	39	588,001		18,052	606,053	12.62	
SUBTOTAL	3	40	8,578,637		(89,696)	8,488,941	176.71	
Ancillary Costs (lines 41-49)								
Physical Therapy	3	43	247,325	1	9,179	266,772		S-1
				2	10,268			UE-1
Occupational Therapy	3	44	144,017	3	4,382	155,399		S-1
				4	7,000			UE-1
Speech Therapy	3	45	109,048	5	4,457	119,565		S-1
				6	6,060			UE-1
Other & Employee Benefits	3	48	67,033	7	(18,119)	121,315		S-1
				8	(231)			S-3
				9	72,632			OC-1
Unadjusted lines	3	41, 42, 46, 47	705,994		-	705,994		
Subtotal - Ancillary Costs	3	49	1,273,417		95,628	1,369,045	28.50	

**MANOR CARE WILMINGTON**  
**SCHEDULE OF ADJUSTMENTS TO THE STATEMENT OF REIMBURSEMENT**  
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				<u>No.</u>	<u>Amount</u>			
<i>Other Costs - unadjusted (lines 50-52)</i>	3	52	<u>16,588</u>		<u>-</u>	<u>16,588</u>	<u>0.35</u>	
<b>TOTAL COSTS</b>	3	53	<u>\$ 9,868,642</u>		<u>\$ 5,932</u>	<u>\$ 9,874,574</u>	<u>\$ 205.56</u>	

**PART II - COST REPORT PATIENT DAYS**

Total beds	6	1, 3	138	-	138
Total bed days available	6	4	50,370	-	50,370
90% minimum census threshold	6		45,333	-	45,333
Total census days	6	5E	48,038	-	48,038

**PART III - NURSING WAGE SURVEY**

***II. Staff Nurse Information***

Total Payroll DON	10	A(1)	\$ 3,269	2,788	\$ 6,057	NWS -1
Total Hours Paid to DON for Pay Period	10	A(1)	80	72	152	NWS -1
Number of Staff Paid During Pay Period: RNs	11	B	22	(1)	21	NWS -1
Number of Staff Paid During Pay Period: LPNs	11	B	31	1	32	NWS -1
Number of Staff Paid During Pay Period: CNAs	11	B	57	6	63	NWS -1
Total Payroll by category: RNs	11	B	\$ 31,577	(2,306)	\$ 29,271	NWS -1
Total Payroll by category: LPNs	11	B	\$ 52,745	2,009	\$ 54,754	NWS -1
Total Payroll by category: CNAs	11	B	\$ 51,410	1,429	\$ 52,839	NWS -1
Total Hours Paid to Staff for Pay Period: RNs	11	B	980	(77)	903	NWS -1
Total Hours Paid to Staff for Pay Period: LPNs	11	B	2,074	(105)	1,969	NWS -1
Total Hours Paid to Staff for Pay Period: CNAs	11	B	4,061	(50)	4,011	NWS -1

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**PART IV - DETAILED EXPLANATION OF ADJUSTMENTS**

**Adjustments affecting salaries (S):**

- S-1** To reclass salaries paid to staff while on holiday and bereavement leave, and personal time off from the respective benefit (lines 2, 20, 26 & 48) to the respective salary (lines 1b, 7, 8, 10, 16, 19, 23, 24, 25, 27, 43, 44 & 45).
- S-2** To reclass salaries paid to ADON and in-service coordinator from other administrative salaries to medical and nursing director salaries and nursing staff training respectively. Reverse provider adjustment allocating benefits from nursing staff salaries to other administrative salaries, and to correctly allocate benefits from nursing staff benefits to administrative and routine costs employee benefits.
- S-3** To adjust allocation of benefits as a result of the reclassification of holiday, bereavement leave, and personal time of

**Adjustments affecting unallowable expenditures (UE):**

- UE-1** To reclass expenditures associated with physical, occupational, and speech therapy recorded in the clinical consultants category. Also, to adjust facility adjustment for the write off of bad debts.

**Adjustments affecting capital costs (CC):**

- CC-1** Only property insurance should be classified as a capital cost, not liability insurance. Non-property insurance should be classified as an administrative costs.

**Adjustments affecting other costs (OC):**

- OC-1** To reclass equipment rent and ambulance costs out of other primary patient care costs and to the appropriate cost center.

**Adjustments affecting nursing wage survey (NWS):**

- NWS-1** To adjust nursing wage survey to amounts supported by facility records.



## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON A FINANCIAL AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

State of Delaware  
Office of Auditor of Accounts  
Department of Health & Social Services  
Division of Social Services Medicaid  
Dover, Delaware

We have audited the Statement of Reimbursement Costs for Skilled and Intermediate Care Nursing Facilities – Title XIX, pages 2 through 6 (the Cost Report) and the Nursing Wage Survey (the Survey) for Manor Care Wilmington (the Facility) for the year ended June 30, 2005, and have issued our report thereon dated February 7, 2008, which was qualified due to the required adjustments reported in the Schedule of Adjustments accompanying it. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

### Internal Control Over Reporting

In planning and performing our audit, we considered the Facility's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Cost Report and Survey and not to provide an opinion on the internal control over financial reporting.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements caused by error or fraud in amounts that would be material in relation to the Cost Report and Survey being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses.

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## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Facility's Cost Report and Survey are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of reported amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters involving instances of immaterial noncompliance and nonreportable conditions or other matters involving internal control over reporting that came to our attention:

**Problem:** The Facility incorrectly included nonproductive salaries in employee benefits on the Medicaid Cost Report. Nonproductive salaries should be included on the appropriate cost centers' salary expense line on the Medicaid Cost Report.

**Suggestion:** Management should correct the Medicaid trial balance to classify these expenses as salaries expenses, which will be recorded as part of total salaries expense.

\* \* \* \* \*

**Problem:** The Facility reclassified the benefits associated with the administrative and training portion of salaries paid to nursing staff out of the nursing staff salaries line and into the other administrative salaries line. The benefits associated with the administrative portion of nursing staff salaries should be removed from the nursing staff benefits line and inserted in the administrative and routine costs employee benefits line.

**Suggestion:** The facility should remove benefits from the nursing staff benefits line and insert them in the administrative and routine costs employee benefits line when reclassifying the portion of nursing staff salaries attributable to administrative duties.

Problem: The Facility is depreciating some fixed assets using useful lives that are not in accordance with AHA guidelines. As a result the facility is including incorrect depreciation amounts in its cost report.

Suggestion: Management should follow AHA guidelines when depreciating asset additions.

\* \* \* \* \*

Problem: The facility included ancillary costs of physical therapy, occupational therapy, and speech therapy in the clinical consultant line item. Costs for these services are ancillary and should be recorded in that cost report cost center.

Suggestion: Management should include all costs associated with physical therapy, occupational therapy, and speech therapy in the ancillary cost center.

\* \* \* \* \*

Problem: The census data included on the cost report did not tie to the facility's supporting documentation.

Suggestion: Management should make sure that the census information included in the Medicaid Cost Report agrees to internal records.

\* \* \* \* \*

Problem: The information included in the Nursing Wage Survey did not tie to supporting documentation provided by the facility.

Suggestion: Management should make sure that the Nursing Wage Survey information can be supported by internal records.

The Facility has reviewed the above matters and the Schedule of Adjustments. Written responses received by us during the comment period were considered and, if acceptable, mutually agreed-upon modifications have been reflected in our reports. Any further modifications and administrative follow-up will be handled by the Department of Health and Social Services of the State of Delaware.

This report is intended solely for the information and use of the Office of Auditor of Accounts of the State of Delaware, the Department of Health and Social Services of the State of Delaware and the Board of Directors and management of Manor Care Wilmington, Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of the Budget, and the Department of Finance. However, under 29 Del. C. Section 10002 this report is public record and its distribution is not limited.

*McBride, Shopa & Co*

Wilmington, Delaware  
February 7, 2008